Adacel Technologies Limited
(ASX: ADA)

ASX Announcement & Media Release

Melbourne, 16 August 2023

Adacel reports FY2023 financial results and provides forecast for FY2024

FY2023 Highlights:

- Consolidated revenues of USD$27.3 million for FY2023, compared to USD$27.6 million for FY2022

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") of USD$2.9 million closely in line with market guidance compared to USD$6.9 million in FY2022

- Profit before tax ("PBT") of USD$0.9 million, compared to USD$5.2 million in FY2022

- For FY2024, the Company forecasts EBITDA between USD$5.0 million and USD$5.25 million and PBT between USD$3.0 million and USD$3.25 million.

Adacel Technologies Limited

Financial Overview, FY2023

All figures are in USD, unless otherwise noted.

KEY FINANCIAL MEASURES

USD$ '000 EXCEPT DIVIDENDS AND PERCENTAGES	YEAR ENDED 30 JUNE		
	2023	**2022**	**Movement %**
Revenue	27,250	27,560	(1.1%)
Gross Margin	8,792	10,842	(18.9%)
Gross Margin %	32.3	39.3	
EBITDA	2.919	6,885	(57.6%)
EBITDA %	10.7	25.0	
Profit Before Tax (PBT)*	904	5,179	(82.5%)
PBT % of Revenues	3.3	18.8	
Profit After Tax	(0.08)	3,262	
Earnings per share	(0.10)	4.27	
Final dividend (unfranked) (cents)	-	AUD 3.25	
Total interim dividend (unfranked) (cents)	AUD 1.50	AUD 2.75	
Total dividend (cents)	AUD 1.50	AUD 6.00	

Adacel's CEO Daniel Verret said, "During FY2023, our company's business was impacted by a reduction in revenues from our ATOP program, geo-political events in Europe and delays in finalizing major contracts. Despite these challenges, the company delivered revenues comparable to FY2022. Looking ahead, Adacel has identified and is actively pursuing major business opportunities for its three flagship systems--MaxSim, REVAL, and Aurora--and we expect substantial business growth in FY2024."

For FY2023, the Company delivered revenues of $27.3 million compared to $27.6 million the previous year.

While the System segment revenues increased to USD$8.2 million in FY2023 compared to USD$6.9 million in FY2022, Services and Support segment decreased from USD$20.6 million in FY2022 to USD$19.1 million in FY2023. Since the Services and Support historically deliver a higher gross margin, this mix shift impacted the Company's overall gross margin. In FY2023, Adacel recorded a gross margin of USD$8.8 million compared to USD$10.8 million in FY2022. The gross margin includes allocations of overhead and other fixed costs.

In FY2023, the Company's EBITDA was USD$2.9 million compared to USD$6.9 million in FY2022. This decrease is attributable to lower revenues in the Services and Support segment, timing of the contracts, and lower Other Income resulting from a decrease in Covid-19 related grants received in FY2022.

As of 30 June 2023, the company's net cash balance was USD$0.9 million compared to USD$1.9 million at June 30 2022. During FY2023, the company paid dividends totalling USD$2.4 million (FY2022:USD$3.3 million) to its shareholders.

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Business Segment Reporting

	Year Ended 30 June	
	2023	**2022**
Revenue USD$'000		
Systems	8,178	6,912
Services	19,072	20,648
Total	27,250	27,560
Gross Margin $'000		
Systems	991	758
Services	7,801	10,084
Total	8.792	10,842
Gross Margin %		
Systems	12.1%	11.0%
Services	40.9%	48.8%
Total	32.3%	39.3%

Systems

The Systems segment represents sales of integrated software systems and products covering operational air traffic management as well as simulation and training applications. This segment also includes hardware and software upgrade sales.

In FY2023, Adacel recorded an increase in its Systems segment revenues, from USD$6.9 million to USD$8.2 million as we made significant progress on our programs in Martinique and St. Lucia.

Gross margin, as a percentage of revenues increased to 12.1% in FY2023 compared to 11% in FY2022.

Services

The Services segment includes all recurring revenue, such as software maintenance and all aspects of system support, field services, and on-site technical services.

Services segment revenues were lower in FY2023 at USD$19.1 million compared to USD$20.6 million in FY2022. The decrease is attributable to lower revenues from our Advanced Technologies and Oceanic Procedures (ATOP) program resulting from lower volumes received from the FAA.

As a result, the Systems segment recorded lower gross margins in FY2023 as compared to FY2022.

Dividend

During the year, Adacel paid total dividends of USD$2.4 million.   The Company intends to declare a dividend in September. The final determination will be made subject to the outcome of certain bids and proposals.

Outlook

In FY2023, the Company focused on investments in our product functions and features as well as increased business development activities. With the recent contract award from the US Army, we are confident that our strategy will drive future profitable growth. Our pipeline is robust across our 3 product lines, and we are actively pursuing very specific and significant opportunities that we expect will be awarded in the next 12 months. For FY2024, Adacel expects EBITDA ranging from USD$5.0 million and USD$5.25 million and PBT ranging between USD$3.0 million and USD$3.25 million.

Chairman, Michael McConnell, said, "While we are disappointed in the decline in both revenue and profit, FY2023 was a year of investment in our products and business development activities. As a result of those investments, the Company is well-positioned to win a number of significant multi-year contracts across our 3 product lines. Moreover, we continue to generate healthy cash flow from operations and remain committed to our balanced capital management program."

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This announcement was authorized for release by the Board of Directors.

About Adacel:

Established in 1987, Adacel is a publicly traded company listed on the ASX. The company plays a significant role in global air space safety. A world-leader in its industry, Adacel applies cutting-edge technologies to develop advanced air traffic control simulation and training systems and state-of-the-art air traffic management solutions. Adacel's customers include international air navigation service providers (ANSPs), military, defense & security organizations, universities, and airport authorities. More than 21% of the world's airspace is managed with Adacel's Aurora ATM software. MaxSim Tower Simulator and Training systems lead the industry with the highest number of installations worldwide. MaxSim is also the first ATC simulation system in the world to deliver Virtual and Mixed Reality training capabilities into the classroom. Adacel's latest flagship system, REVAL, a digital Air Traffic Control (ATC) tower system delivers a wide spectrum of digital tower operational solutions, from consulting services to system design, development, deployment, and support. For more information, please visit adacel.com.

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This media release includes references to non-AASB measures including Gross Margin and EBITDA. The directors believe the presentation of non-AASB financial measures are useful for the users of this media release as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-AASB financial measures have not been subject to audit or review.